

## COMPACT GOAL

The Compact aims to revitalize Malawi's power sector by upgrading electricity infrastructure and improving the performance of key institutions responsible for the electrical power sector. The program is intended to reduce outages and system losses, improve efficiency of hydropower generation, improve service delivery to electricity consumers, and create an enabling environment for private sector investment and expansion of electrification. The Compact is expected to reduce energy costs to enterprises and households and enhance productivity and employment opportunities in key economic sectors.

## COMPACT AT A GLANCE

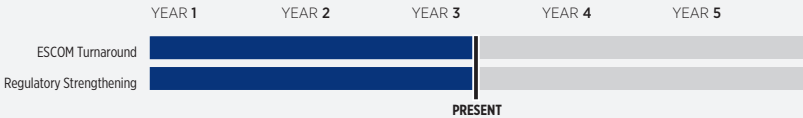
Compact Signed	04-07-2011
Entry Into Force	09-20-2013
Compact End Date	9-20-2018
Compact Total	\$350,700,000
Amount Committed	\$213,198,909
Amount Expended	\$57,268,703
Estimated Program Beneficiaries	982,729
Estimated Increase in Household Income	\$567,200,000

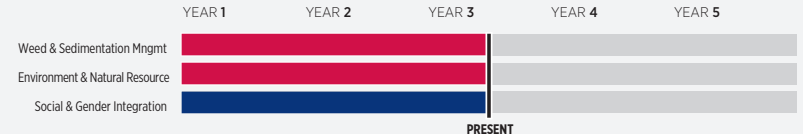
% OF TOTAL COMPACT	BUDGET (USD MILLIONS)
73%	<b>Infrastructure Development Project</b> \$255.6
7%	<b>Power Sector Reform Project</b> \$25.5
8%	<b>Environmental and Natural Resource Management Project</b> \$28.0
10%	<b>Program Administration</b> \$34.5
2%	<b>Monitoring and Evaluation</b> \$6.9



■ Project Preparation ■ Project Implementation

Infrastructure Development Project	PROJECT COST	TOTAL CONTRACT COMMITMENTS					TOTAL PROJECT EXPENDITURES <sup>1</sup>				
	\$255,648,800	\$176,070,401					\$30,960,617				
This project will improve the availability, reliability, and quality of the power supply by increasing the throughput capacity and stability of the national electricity grid and increasing efficiency of hydropower generation through investments in infrastructure development.	<div><div>YEAR 1</div><div>YEAR 2</div><div>YEAR 3</div><div>YEAR 4</div><div>YEAR 5</div></div>										
	<div><div>Hydropower Plant Infrastructure</div><div>Transmission Network Upgrade</div><div>Distribution Rehab &amp; Extension</div></div>										
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PRESENT											
Projected Long-Term Results (Up to 20 years)											
<div><div>ESTIMATED BENEFICIARIES</div><div>ESTIMATED INCREASE IN HOUSEHOLD INCOME</div></div>											
<div><div>982,729</div><div>\$567,200,000</div></div>											
<div><div>Estimated Increase in Household Income and Beneficiaries is inclusive of all Projects</div></div>											
<div><div>PROJECTED RESULTS BY END OF COMPACT</div><div>PROGRESS TO DATE</div><div>PROJECT ACHIEVEMENTS</div></div>											
<div><div>Increase the quantity of electricity consumed to 2.1 million MWh; reduce outages and load shedding; reduce system losses to 19.8%; improve electricity quality; increase substation MVA capacity by 734 MVA; increase Nkula A plant availability and MW capacity via rehabilitation.</div><div>Contracts awarded for 6 of 8 works packages: rehabilitation of Nkula A Hydropower Plant; construction of substations, 400 kV transmission line, and 132/66 kV transmission lines; SCADA contract for the installation of system monitoring equipment. Kick-off meetings conducted, preliminary design work is underway. Two distribution works contracts will be signed in early 2016. Resettlement work is ongoing; 4 RAPs approved, payments starting on RAP 1.</div><div>Government of Malawi completed construction of 64 MW Kapichira II Hydropower Plant in December 2013, fulfilling a Compact condition precedent and adding much needed generation capacity to Malawi's grid. Four Transmission and Nkula A works contracts awarded. Three Resettlement Action Plans completed.</div></div>											

Power Sector Reform Project	PROJECT COST	TOTAL CONTRACT COMMITMENTS			TOTAL PROJECT EXPENDITURES <sup>†</sup>
	\$25,553,400	\$10,849,514			\$7,647,783
<p>This project will create an enabling environment for future expansion of the power sector by strengthening sector institutions and enhancing regulation and governance of the sector by rebuilding ESCOM into a financially strong, well-managed utility and developing a regulatory environment that supports public and private investment in generation capacity and expanded access.</p>					
<p><b>Projected Long-Term Results</b> (Up to 20 years)</p>					
ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME	PROJECTED RESULTS BY END OF COMPACT			PROJECT ACHIEVEMENTS
-	-	Enable ESCOM, Malawi's electric utility, to recover costs and improve its operational and financial performance including 90% billing/collection efficiency, and reducing days to respond to forced outages. Develop a market structure, an independent regulatory environment and tariff framework that enables private investment.			Compact-funded consultants are providing support to strengthen ESCOM's financial and operational management, including billing/collections, asset and inventory control, procurement, system planning and corporate governance. Advisor submitted framework for private investment in power sector. Consultant analyzing financial data to prepare for ESCOM unbundling.
					In support of ESCOM's financial turnaround, the Government of Malawi (GoM) restructured all ESCOM debt to equity to fulfill a Compact condition precedent. Compact technical assistance supported ESCOM's 2014 tariff application, which resulted in more robust tariff review process. Compact support facilitated timely completion of 2015-16 ESCOM Procurement Plan. GoM approved a roadmap for restructuring power market to attract private investment.

Environmental and Natural Resource Management Project	PROJECT COST	TOTAL CONTRACT COMMITMENTS			TOTAL PROJECT EXPENDITURES <sup>†</sup>
	\$28,026,000	\$7,802,851			\$2,380,889
<p>This project will mitigate the growing problems of aquatic weed infestation and excessive sedimentation in the Shire River Basin to reduce the costly disruptions to Malawi's hydropower generation by investing in weed and sediment management, and implementing better environmental and natural resource management in upstream areas.</p>					
<p><b>Projected Long-Term Results</b> (Up to 20 years)</p>					
ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME	PROJECTED RESULTS BY END OF COMPACT			PROJECT ACHIEVEMENTS
-	-	Contribute to fewer outages at hydropower plants by reducing weed infestation and siltation in the Shire River Basin through improved land management practices in targeted catchments, with a focus on conservation agriculture, reforestation and soil stabilization activities, as well as the sustainability of these interventions post-Compact.			MCA-Malawi signed 2 additional grant agreements to bring the total to 11 NGOs that were competitively selected to fund activities to reduce soil erosion and related downstream power outages in the Shire River Basin and address gender and social disparities in target communities. Specifications for new weed and sediment management equipment are nearing completion.
					MCA relaunched its Request for Applications for a partner to work with MCA under a Cooperative Agreement to establish a trust that could fund natural resource management and sustainable land use activities in the Middle Shire River Basin following the end of the Compact, providing an approach to strengthening the sustainability of the Compact. The Cooperative Agreement with two local NGOs and two international partners was signed in December.

<sup>†</sup>Expenditures are the sum of cash outlays and quarterly accruals for work completed but not yet paid or invoiced.

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